

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 650 – HB 1079

March 8, 2018

**SUMMARY OF ORIGINAL BILL:** Requires the State Board of Equalization (SBOE) to make the form mineral owners are required to use to disclose mineral interests to local property assessors available on the SBOE website.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (012318):** Deletes all language after the enacting clause. Authorizes a county legislative body, by resolution, to levy a severance tax on zinc up to \$0.15 per ton on any zinc severed after the effective date.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Other Fiscal Impact – To the extent a county elects to levy a severance tax on zinc, there will be a recurring increase in state revenue and corresponding state expenditures for the Department of Revenue to administer such tax; any net impact to the state is not significant. Counties, other than Smith, may incur a permissive recurring increase in local revenue to the respective county road funds. Smith County may incur a permissive recurring increase in revenue to any Smith County fund. The extent and timing of any permissive impacts cannot be reasonably determined for such impacts are dependent upon unknown factors.**

Assumptions for the bill as amended:

- Any action taken by a county legislative body to collect a severance tax on zinc is permissive.
- Under current law, pursuant to Tenn. Code Ann. § 67-7-201(a)-(b), a tax levied on mineral severance in any county other than Smith County is required to be allocated and applied to the county's road fund. Smith County is authorized, by a resolution adopted by a two-thirds vote, to allocate revenues to any fund of the County.
- Zinc mines are currently operated in Grainger, Jefferson, Knox, and Smith Counties.

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- This legislation requires zinc operators to transmit severance taxes to the Department of Revenue (DOR). DOR is required to retain a fee to cover expenses of administration and collection and to remit the remaining revenue to the county from which the zinc was severed.
- Based on information provided by DOR, the average DOR fee withheld for other mineral severance taxes over the three previous fiscal years is 3.18 percent.
- Any net impact on DOR is estimated to be not significant.
- A precise fiscal impact resulting from authorizing counties to collect a severance tax on zinc is dependent on multiple unknown factors such as: the number of counties that will adopt resolution to collect a severance tax on zinc, the rate of any zinc tax levied, and how many tons of zinc will be mined.
- Given these unknown factors, a precise fiscal impact cannot be reasonably determined; however, any impact is considered permissive.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj